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September 27, 2004

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VIA HAND DELIVERY & CERTIFIED MAIL, RRR

Mr. M. Gary Miller, Remedial Project Manager
U.S. Environmental Protection Agency, Region 6
Superfund Division (6SF-AP)
1445 Ross Avenue, Suite 1200
Dallas, Texas 75202-2733

RE: Gulfco Marine Maintenance Superfund Site in Freeport, Texas (the "Site")

Dear Mr. Miller:

Pursuant to our telephone conversation on September 17, 2004, this firm is writing on behalf of Chromalloy American Corporation ("Chromalloy")¹ in response to the Environmental Protection Agency's ("EPA") July 14, 2004 Special Notice for Remedial Investigation/Feasibility Study ("RI/FS"), which by our mutual understanding is considered by EPA to be timely made as of today's date.

In response to EPA's request for a good faith offer regarding participation in a RI/FS for the Site, Chromalloy states in good faith that it is willing to negotiate with EPA toward an administrative order or agreement, as may be appropriate, to join with the other Potentially Responsible Parties ("PRPs") to fund and participate in a RI/FS, or other investigation as may be appropriate for the Site in an expeditious manner as more fully set forth below. By submitting this response, Chromalloy does not admit, in any way, that it has any liability, legal or otherwise, for investigating or otherwise addressing the environmental conditions at the Site and this response is made without prejudice to and subject to Chromalloy's reservation of rights regarding all defenses available to it under applicable law to any such alleged liability.

With respect to EPA's Demand for Reimbursement of Costs in the tentative amount of \$162,707.07, Chromalloy respectfully declines to remit any portion thereof at this time; however, Chromalloy is nonetheless willing to engage in good faith negotiations in

¹ Although EPA's July 14, 2004, Special Notice letter was addressed to Chromalloy c/o Sequa Corporation and also sent to Sequa Corporation's registered agent, as explained in Chromalloy's August 21, 2003, Information Request response letter to EPA, Sequa Corporation and Chromalloy American Corporation are separate and distinct entities and for purposes of this matter, Chromalloy American Corporation is the only party in interest.

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cooperation with EPA and the other PRPs toward a resolution of this matter. Chromalloy anticipates that additional PRPs may exist and an acceptable settlement of these past costs would include participation from all viable PRPs. In particular, information has come to light which suggests that a former owner of Lot 56 at the Site, Fish Engineering & Construction, Inc., may have never legitimately conveyed its ownership interest in Lot 56 and should rightfully be included as a PRP for this Site. Chromalloy will cooperate with EPA in an attempt to identify additional PRPs and develop an equitable allocation among the PRPs. To this end, Chromalloy and Dow Chemical Company ("Dow") have already begun investigations into the existence of additional PRPs. Chromalloy and Dow will continue this effort and provide EPA with information regarding the identities of other PRPs. In addition, to the extent that Chromalloy expects there to be non-viable and/or non-participating PRPs, Chromalloy would ask that EPA apply Orphan Share policy in consideration of settlement of EPA response costs at this Site.

Specifically, Chromalloy responds to EPA's request for a good faith offer regarding the RI/FS for the Site as follows:

1. **A statement of willingness by the PRPs to conduct or finance an RI/FS that is consistent with EPA's Statement of Work and draft Administrative Order and provides a sufficient basis for further negotiations.**

As noted above, Chromalloy is willing to participate with the other PRPs in further discussions with EPA regarding the funding or performance of an RI/FS. Chromalloy, Dow and LDL Coastal Limited, LP ("LDL") are in the process of forming a PRP Group and have initiated allocation negotiations for funding the RI/FS. Chromalloy and Dow are currently working together to develop a Statement of Work ("SOW") and work plan to conduct the RI/FS. To that end, Chromalloy proposes a meeting with EPA technical and legal staff and the PRPs in order to discuss the parameters of a PRP-lead RI/FS.

2. **A paragraph-by-paragraph response to EPA's Statement of Work and draft Administrative Order.**

It is Chromalloy's understanding that EPA is willing to consider a Statement of Work and proposed Administrative Order designed by the PRPs and specifically tailored to the Site, and EPA is therefore not requiring comment on these items.

3. **A detailed description of the work plan identifying how the PRPs plan to proceed with the work.**

As noted above, Chromalloy and Dow are working together to develop a SOW, which will describe all RI/FS activities to be performed, as reasonably anticipated, prior to the

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onset of the project. The SOW will be consistent with the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA"), the National Oil and Hazardous Substances Contingency Plan, and EPA RI/FS Guidance. Once the SOW is developed, Chromalloy and Dow will present a work plan for EPA approval, which will set forth the detailed rationale and methodology for completing the RI/FS, as directed under EPA RI/FS Guidance. As noted above, it is Chromalloy's understanding that EPA is willing to accept that the scope of this RI/FS be specifically tailored to the Site, which underscores the need for additional dialogue between EPA, the PRPs and their contractor(s) in development of the work plan.

4. A demonstration of the PRPs' technical capability to carry out the RI/FS, including the identification of the firm(s) that may actually conduct the work or a description of the process they will use to select the firm(s).

Chromalloy has access to counsel experienced in environmental cleanup matters, which will work with EPA and the RI/FS contractor(s) to ensure that the proposed activities will be properly managed. Furthermore, Chromalloy will obtain the services of qualified and experienced project management in conducting the RI/FS. Chromalloy and Dow will select contractor(s) with the technical expertise necessary to perform all relevant activities identified in the SOW, and any amendments that may be reasonably anticipated thereto.

5. A demonstration of the PRPs' capability to finance the RI/FS.

Chromalloy represents that it is financially capable to fund its allocated portion of the RI/FS costs such that the RI/FS is conducted and completed in a timely and effective manner. Chromalloy is a subsidiary of Sequa Corporation, a publicly traded company, traded on the New York Stock Exchange. Sequa's most current Annual Report and SEC filings are available at:

http://www.corporate-ir.net/ireye/ir_site.zhtml?ticker=sqaa&script=700&layout=7

As noted above, Chromalloy is working with Dow and LDL to fund the RI/FS and the parties have begun negotiations to allocate funding responsibility.

6. A statement of willingness by the PRPs to reimburse EPA for costs incurred in overseeing the PRPs' conduct of the RI/FS.

Chromalloy understands that EPA will incur oversight costs associated with the RI/FS in accord with CERCLA Section 104(a)(1). As noted above, Chromalloy, Dow and LDL are in the process of conducting allocation negotiations with respect to the RI/FS. In addition, however, Chromalloy anticipates that other viable PRPs exist, which should be invited to share in EPA costs and Chromalloy would ask that EPA include its oversight



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costs in conducting settlement negotiations with the PRPs once the opportunity to identify additional PRPs has occurred.

7. The name, address, and phone number of the party or steering committee who will represent the PRPs in negotiations.

As noted above, Chromalloy, Dow and LDL are in the process of forming a PRP Group. Once formed, the parties will advise EPA of their designated contact information. In the meantime, Chromalloy states that it is represented by F. William Mahley, Strasburger & Price, LLP, 1401 McKinney Street, Suite 2200, Houston, Texas 77010-4035, Telephone: 713.951.5633, Facsimile: 713.951.5660.

Thank you for your attention to this matter. Please contact the undersigned to schedule a meeting between Chromalloy, the other PRPs and EPA to further discuss an RI/FS SOW and work plan for the Site. In the meantime, we trust you will contact us with any questions regarding the foregoing.

Respectfully submitted,

N. Tobias Smith

cc: F. William Mahley
Kirk F. Sniff
Leonard P. Pasculli